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BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 93-237-E - ORDER NO. 93-340
APRIL 14, 1993

IN RE:	Carolina Power & Light Company -)	ORDER GRANTING
	Petition for Authority to Issue)	CAROLINA POWER &
	a Promissory Note to Purchase)	LIGHT COMPANY'S
	Sulfur Dioxide Emission Allowances.)	PETITION TO ISSUE
)	A PROMISSORY NOTE
)	TO PURCHASE SULFUR
)	DIOXIDE EMISSION
)	ALLOWANCES

Carolina Power & Light Company (CP&L) comes before the Public Service Commission of South Carolina (the Commission) pursuant to S.C. CODE ANN. §58-27-1710 and Rule 103-836 of the Commission's Rules of Practice and Procedure and petitions the Commission for the authority to issue a seven year promissory note. The note will be used to purchase 150,000 sulfur dioxide emission allowances. After consideration of the record in this case, the Commission makes the following findings of fact and conclusions of law:

1. CP&L is a corporation duly organized and existing under the laws of the State of North Carolina. Its principal office is located at 411 Fayetteville Street Mall, Post Office Box 1551, Raleigh, North Carolina 27602-1551. CP&L is a public utility engaged in the business of developing, generating, transmitting, distributing and selling electric power in North Carolina and South Carolina, and, for purposes of doing business in South Carolina,

comes under the jurisdiction of the Public Service Commission of South Carolina.

2. Title IV of the Clean Air Act Amendments of 1990 ("the Act") requires electric utilities to reduce fossil fuel generating plant emissions of sulfur dioxide by the year 2000 to 10 million tons below the levels emitted in the 1980 time frame. This will be accomplished by requiring utilities to obtain a sulfur dioxide emission allowance for every ton of sulfur dioxide emitted. An emission allowance authorizes a utility to emit one ton of sulfur dioxide without penalty.

3. CP&L alleges that it burns very low sulfur coal in its fossil units. CP&L estimates the effective unit cost of scrubbing to be approximately \$500 per ton of sulfur dioxide in 1993 dollars. Due to this cost of scrubbing, as well as the fact that scrubbing technology is still evolving, CP&L does not wish to commit to installing scrubbing equipment at this time. However, CP&L believes that it cannot wait until the year 2000 to begin implementing a Clean Air Act compliance strategy.

4. CP&L alleges that starting in the year 2000 through 2009, the Environmental Protection Agency ("EPA") will allocate to CP&L 143,968 sulfur dioxide emission allowances per year. (Beginning in 2010 and the years thereafter this EPA allocation will be 130,485 allowances per year). CP&L estimates that if it does not make any changes in the way it operates its system, it will emit approximately 230,000 tons of sulfur dioxide in the year 2000; creating a deficit of 86,000 tons. As a result, CP&L must either

reduce its sulfur dioxide emissions or purchase additional allowances. Preliminary plans include reducing emissions by switching to even lower sulfur coal than is presently being burned at CP&L's plants. However, the amount of emission reductions achievable through fuel switching is very uncertain. Early CP&L estimates project that fuel switching may potentially reduce emissions by approximately 1/2 the amount required to meet EPA requirements. As mentioned earlier, due to the cost of scrubbing, it appears to CP&L that scrubbing is not the most economical course of action to reduce emissions further. While it is possible that demand side management conservation measures may also allow CP&L to reduce its emissions, CP&L does not believe that even under the best of circumstances such DSM programs could abrogate the need to install scrubbers or purchase additional allowances.

5. As a result, CP&L has been evaluating the possibility of purchasing additional sulfur dioxide emission allowances. Seller has offered to sell CP&L 150,000 allowances. CP&L would purchase these allowances by the issuance of a promissory note payable in one payment on January 15, 2000.

6. S.C. CODE ANN. §58-27-1710 requires a utility to obtain the permission of the Commission prior to issuing a promissory note payable at a period of more than one year from the date thereof. As a result, in order for CP&L to purchase the sulfur dioxide emission allowances, it must first obtain the Commission's permission to issue the seven year promissory note.

7. By purchasing these allowances now, CP&L believes that it will retain the flexibility to react to changes in customer growth and alternative means of reducing emissions, including improvements in scrubber technology, and prepare its Clean Air Act compliance strategy with the benefit of the developments in the industry during the next five to seven years. CP&L also alleges that if it determines that it does not need all of these allowances, it will be able to sell them, possibly at a profit, which obviously would not be the case if CP&L were to invest in scrubbers at this time.

8. As a result, CP&L believes that it is imperative that the Commission approve CP&L's request for Authority to Issue a Seven Year Promissory Note to Seller in consideration of Seller's selling CP&L 150,000 sulfur dioxide emission allowances.

9. The Commission has examined this matter, including the Seller's name and the purchased amount of the note, and concludes that, under the circumstances described by CP&L, that it is reasonable for the Commission to grant CP&L's request. The Commission believes that the Company should be allowed to issue such a seven year promissory note.

10. That, within thirty (30) days of the issuance of the promissory note, CP&L shall file with the Commission a copy of said note in the final form in which it is executed.

11. Approval of this Application does not bind the Commission as to the ratemaking treatment of this issuance.

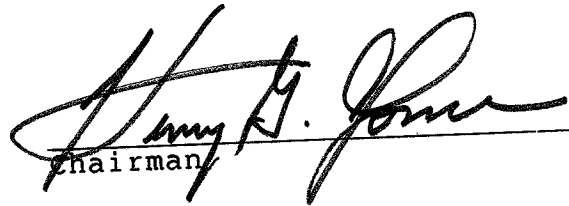
12. This Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further

investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

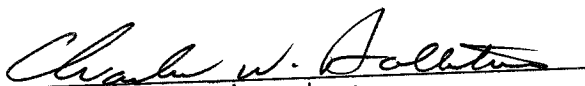
13. The Commission strongly encourages the Company to carry out the financial transaction in such a manner as to attempt to minimize possible negative impacts which could be harmful to ratepayers.

14. This Order shall remain in full force and effect until further Order of the Commission.

IT IS SO ORDERED.


Chairman

ATTEST:


Executive Director

(SEAL)